

Legislative Audit Division

State of Montana



Report to the Legislature

August 2002

Performance Audit

State Government Records Management

Records Management Bureau, Secretary of State
State Archives, Montana Historical Society

This report contains information on records management activities of state agencies. Our review of agency practices related to managing inactive records showed most agencies are not in compliance with state laws or policies or with practices recommended by records management authorities. Recommendations in this report are directed to the Secretary of State and include:

- Implementing its automated box management system.
- Requiring boxes stored at the State Records Center to have disposal dates.
- Notifying agencies which have record boxes beyond their disposal date.
- Providing for active review of agency record management practices.
- Seeking legislation to require all agencies to designate a records manager.

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August 2002

The Legislative Audit Committee
of the Montana State Legislature:

This is our performance audit report of State Government Records Management. The Secretary of State has broad powers and duties related to records management of executive branch agencies. The State Archives within the Montana Historical Society has the responsibility for preserving state records with permanent value.

This report provides information to the legislature regarding state agency records management practices and the activities of the State Records Center related to storage of inactive records. We found most agencies are not in compliance with state laws and policies related to storage of inactive records or with practices recommended by records management authorities. We make several recommendations to the Secretary of State that should help agencies establish better records management programs and to improve the operations of the State Records Center.

We wish to express our appreciation to the staff of the Secretary of State and the State Archives for their cooperation and assistance during the audit. We also appreciate the time and assistance from the many agencies that completed our questionnaire and assisted us during our visits.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Scott A. Seacat", written over a horizontal line.

Scott A. Seacat
Legislative Auditor

Legislative Audit Division

Performance Audit

State Government Records Management

**Records Management Bureau, Secretary of State
State Archives, Montana Historical Society**

Audit staff involved in this audit were Jim Nelson and Kris Wilkinson.

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Appointed and Administrative Officials

Secretary of State

Bob Brown, Secretary of State

Jason Thielman, Chief Deputy

Lynn Keller, State Records Manager

Montana Historical Society

Arnold Olsen, Director

Molly Miller, State Archivist

State Records Committee

Lynn Keller, State Records Manager

Molly Miller, State Archivist

John Northey, Legislative Audit Division

Audrey Hinman, Department of Administration

Gregory Noose, Department of Justice

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Introduction

A performance audit of State Government Records Management was requested by the Secretary of State and approved by the Legislative Audit Committee. Since 1991, the Secretary of State has been responsible for administering the Public Records Management Act that was passed in 1977. The purpose of this act was to “create an effective records management program for executive branch agencies”. The law is directed at executive branch agencies but provides for the Secretary of State to assist and advise the legislative and judicial branches in the establishment of records management procedures upon their request. The duties associated with this act have been assigned to the office’s Records Management Bureau. The bureau operates the State Records Center in Helena.

The State Archives within the Montana Historical Society was created in 1969 with the responsibility of preserving state agency records with permanent value. The 1977 Legislature gave the State Archives additional responsibilities over records “made or received by a constitutionally designated and elected official of the executive branch of government”. The State Archives has a government records storage area currently holding the equivalent of about 11,000 boxes of records. The Archives also provides facilities and assistance for the public to conduct research using these records.

The objectives of our audit were to:

1. Determine if the Secretary of State and state agencies are in compliance with selected records management statutes.
2. Determine if state agencies are efficiently managing their inactive records and following accepted records management practices.
3. Determine if the inactive records activities of the State Records Center (primarily storage, retrieval, and disposal) are conducted in an efficient manner.
4. Determine if the Secretary of State needs to have more oversight over agency records management.
5. Determine if records management related statutes need clarification.

Report Summary

Background

One of the common denominators for all state agencies is that they produce records as a result of their programs. Quoting from the Secretary of State's website:

"Records are indispensable to the efficient and economical operation of government. They serve as the governmental memory; they are the evidence of past events and the basis for future action. When created, maintained, and disposed of in a systematic and orderly fashion, records are a tremendous asset."

The volume of records produced by state government is very large. This is evidenced by the size of the State Records Center. This facility is designed to hold inactive records and is available for use by all agencies. The Center can handle up to 44,000 boxes which is equivalent to about 110 million government documents.

Agency Records Management Observations

We visited several state agencies and units of the Montana University System to observe their records management practices. We visited the Department of Transportation and the Montana State Fund since they had established programs. We observed their operations and discussed their records management practices with their records managers. We found these two agencies had programs that included the various steps and criteria recommended by records management authorities and required by state law and policy. These requirements include obtaining approval of the State Records Committee for their records retention schedules and records disposal requests and designating an overall records manager for the agency.

While we observed agencies where records management has been given some emphasis and priority, our audit work revealed that most agencies are doing an inadequate job of managing their records. Since our audit was focused on inactive paper records, our observations (and subsequent findings) were concentrated in three main areas:

- ▶ Records Storage Practices.
- ▶ Records Retention Schedules.
- ▶ Records Disposal Practices.

We found many agencies are not in compliance with state policy which requires agencies to store inactive records at the State Records Center. Many agencies store inactive records in office space or resort to stacking of records boxes in basements, stairwells, closets and other “hidden” areas of their buildings. We found some agencies have rented storage facilities for inactive records.

All executive branch agencies are required to use General Retention Schedules for records types that fit these schedules and to submit agency-specific retention schedules for all other types of records. We found about 40 percent of state agencies that responded to our questionnaire did not have retention schedules for their records that require the most storage space. We also found where agencies appeared to be trying to “fit” their record types into an existing category of records covered by the General Retention Schedules rather than developing their own specific schedules.

Many agencies are not properly submitting records disposal requests to the State Records Committee. The problems tend to fall into three categories:

- ▶ Disposing of records without submitting disposal requests to the State Records Committee.
- ▶ Not adequately describing the records to be destroyed on their records disposal request forms.
- ▶ Not submitting disposal requests in a timely manner causing inactive records to be stored too long.

Importance of Records Management

There are many benefits to having a well-run records management program. These benefits include:

- ▶ Save space by removing records no longer of significant value from costly office space and by removing records of no value from storage space.
- ▶ Save money by providing low cost storage for inactive records and by reducing the need for filing equipment.

Report Summary

- Save time by reducing the volume of records that are filed and re-filed and by providing for an orderly system for storing and retrieving inactive records.

If an agency has extensive records (which is a normal occurrence since most agencies save records for too long) then the agency is spending too much on either extra office space taken up by inactive records and/or too much on records storage space. If inactive records storage at the State Records Center is an indication of overall records storage, then agencies are tying up a relatively large amount of space with excess records. About 25 percent of the records stored at the State Records Center have disposal dates recorded in the Center's computer system. We found about 52 percent of these boxes (about 4,000 boxes) were past their disposal dates. About 17 percent should have been destroyed 10 or more years ago. Some of these records have been stored for an extra 20 years. We calculated that agencies spent over \$67,000 (cumulative cost) on storing these past due records (about \$13,000 of this was during 2001).

One of the keys to preserving historical records comes from the State Archivist's review of records disposal requests. Agencies need to properly complete disposal request forms, including accurately describing the records, for this review to be meaningful. When agencies destroy records without review by the State Records Committee, the State Archivist does not have a chance to intercept historical records prior to disposal.

For agencies that are not following records management laws and accepted practices, there is a greater chance that the records could suffer damage or loss. Much of the improper storage practices we saw involved records that were stacked in basements, stairwells, etc. Usually these types of records also do not have inventories and the locations are not secure. All of these situations can contribute to lost records. We found many records were stored directly on the floor. These records are subject to water damage which has occurred to records owned by several agencies at the Old Liquor Warehouse.

Causes of Poor Records Management Practices

There are many causes to the problems we saw with agency records management practices including:

- ▶ Many agencies do not have records management policies in place to direct activities.
- ▶ Most agencies do not have an overall records manager with sufficient authority to influence actual agency records practices.
- ▶ Records management costs are not immediately apparent. Costs may only become significant over a period of time and thus not attract management attention.
- ▶ The Secretary of State has been given statutory authority to oversee executive branch records management but the office has limited resources to fully implement the law.

Records Management Improvements

We make several recommendations directed at the operation of the State Records Center specifically related to storage and disposition of inactive records. These recommendations are:

- ▶ Implement the Center's automated box management system.
- ▶ Require all records boxes stored at the Center to have disposal dates.
- ▶ Notify agencies when boxes are past their disposal date.
- ▶ Document actual records disposals.

In order for the Office of the Secretary of State to be more active in its dealing with state agencies, we recommend several improvements:

- ▶ Inform agencies of accepted records management practices by issuing improved records management guidelines.
- ▶ Seek legislation to require each agency to designate an overall records manager.
- ▶ Review options for providing sufficient resources to implement section 2-6-203, MCA, to enable the Records Management Bureau to review and analyze state agency filing systems and procedures.

Report Summary

Agencies are not well informed regarding which records should be kept permanently and may be keeping more records than necessary. To help agencies better manage their permanent records, we recommend the Secretary of State:

- ▶ Work with the State Archives to develop a policy section that will help guide state agencies on managing and storing permanent records.
- ▶ Require agencies to submit records retention schedules for their permanent records.

We know that many agencies are improperly storing their inactive records in many locations other than the State Records Center. Many of these agencies need to start storing more of their inactive records at the State Records Center. On the other hand, it may be beneficial for some agencies to store their inactive records in other facilities. For example, agencies located outside of Helena could have their own storage locations. However, by law, the Secretary of State is charged with storing inactive records and thus the Secretary of State needs to approve any and all storage locations for state agencies. We believe this issue can be addressed by amending the law to allow the Secretary of State to approve alternative storage locations when it is in the best interests of the state.

We found many agencies are storing their own permanent records. Section 22-3-203, MCA, states the State Archivist shall preserve permanent state records. Therefore, only the State Archivist can approve storage locations for permanent records. In some cases it may be in the best interests of the state for the State Archives to allow agencies to have other storage options for their permanent records. One example would be the University System which has established their own archive programs. We believe this issue can be addressed in a similar manner as we have proposed for inactive records. In this case, we recommend allowing the State Archives to approve alternative storage locations for permanent records when it is in the best interest of the state. Again this would require amending section 2-6-211, MCA.

Chapter I - Introduction

Introduction

A performance audit of State Government Records Management was requested by the Secretary of State and approved by the Legislative Audit Committee. Since 1991, the Secretary of State has been responsible for administering the Public Records Management Act that was passed in 1977. The duties associated with this act have been assigned to the office's Records Management Bureau. The bureau operates the State Records Center in Helena which can hold up to 44,000 boxes of inactive records. Inactive records are normally stored in one cubic foot records boxes that hold about 2,500 individual records. The Center is available for storing records from all state agencies. The Center also includes a records microfilming and document scanning operation.

The State Archives within the Montana Historical Society was created in 1969 with the responsibility of preserving state agency records with permanent value. The State Archives has a government records storage area currently holding the equivalent of about 11,000 boxes of records. The Archives also provides facilities and assistance for the public to conduct research using these records.

Audit Objectives

Records management is a broad field involving active records, filing techniques, inactive records storage and retrieval, and electronic records creation and storage. Based on our preliminary planning we concentrated our audit on how state agencies and the Secretary of State manage inactive paper records. Inactive records can be divided into two categories. The first category is records that are older and are not needed in regular office space for quick reference, but should be saved for occasional use before they can be thrown away. The second category is records that have been determined to have permanent value and are saved indefinitely.

The objectives of our audit were to:

1. Determine if the Secretary of State and state agencies are in compliance with selected records management statutes.

Chapter I - Introduction

2. Determine if state agencies are efficiently managing their inactive records and following accepted records management practices.
3. Determine if the inactive records activities of the State Records Center (primarily storage, retrieval, and disposal) are conducted in an efficient manner.
4. Determine if the Secretary of State needs to have more oversight over agency records management.
5. Determine if records management related statutes need clarification.

Audit Scope and Methodology

Our audit work involved evaluating the records management practices of selected state agencies and the operations of the State Records Center. As part of our evaluation of state agencies we sent questionnaires to 37 agencies including all executive branch departments (and attached agencies) and agencies within the legislative and judicial branches. Because most larger departments have decentralized their records management responsibilities, we eventually had to obtain questionnaires from 101 agency units to get overall information on state government records management. Because of this decentralized nature of records management (often delegated down to individual divisions or bureaus) we chose not to send questionnaires to the Montana University System. Instead, we relied on auditor visits to a sample of the units within the University System.

We visited a sample of state agencies to interview staff about records management practices and followed up on information agencies provided through our questionnaire. We made observations of how the agencies maintained their file systems with emphasis on their procedures and storage locations for inactive records. Additional information on agency records management practices was obtained from our Financial-Compliance auditors who audit all state agencies on a rotating basis. We compared agency records management practices against generally accepted records management practices advocated by records management professionals including the Association of Information Management Professionals, the National Association of Government Archives and Records Administrators.

and the Association for Information and Image Management International.

During our visits to a sample of units of the Montana University System, we observed their record storage practices and collected information similar to that which we compiled from our questionnaires and from our visits to other state agencies. Again we placed emphasis on the storage of inactive records.

To determine if the State Records Center was operating in an efficient manner we interviewed Center staff, observed procedures used to log in and track boxes stored in the Center, reviewed record keeping procedures, and reviewed files maintained for state agencies' records activities.

We interviewed members of the State Records Committee about all aspects of state government records management. Because of the relationship of the statutory duties of the Secretary of State and the State Archives, we made several visits to the State Archives to get staff input on audit issues and to observe the facilities for storage of permanent state records. We collected background information on electronic records management and interviewed staff within the Information Technology Services Division of the Department of Administration.

We used information collected through our questionnaire, during our agency visits, and from files maintained at the State Records Center to evaluate compliance with records management statutes for both the Secretary of State and state agencies. We used some of this information to evaluate if records management statutes needed clarification.

Scope Exclusions

Areas outside our audit scope include:

- Operating procedures of the State Archives for preserving permanent records under Title 22, chapter 3, part 2, MCA.

Chapter I - Introduction

- ▶ Local government records management under Title 2, chapter 6, part 4, MCA.
- ▶ Department of Administration approval of the acquisition of electronic record management equipment or systems under section 2-6-214, MCA.
- ▶ Agency electronic records management.
- ▶ Microfilm and document scanning operations at the State Records Center.

Compliance

We examined whether the Secretary of State and state agencies were in compliance with selected records management statutes. We found the Secretary of State was fulfilling most of its duties under section 2-6-203, MCA, which specifies its powers and duties to ensure the proper management and safeguarding of public records. One aspect of this law that was not being accomplished is a requirement to “review and analyze all state agency filing systems and procedures.” We discuss this issue in Chapter V.

We found most agencies were not in compliance with some aspect of the Public Records Management Act (Title 2, chapter 6, part 2, MCA). These areas included the proper transfer of records to the State Records Center and the State Archives, the proper submittal of records retention schedules and records disposal requests, and disposal of records with approval of the State Records Committee. These issues are discussed in detail in Chapter III.

Issues For Further Study

During the course of this audit we identified two areas of state government operations that could be considered as areas for further study. The following sections discuss these areas.

Electronic Records Management

Records can be stored in paper, micrographic, or electronic formats. Today most new paper records are first created through some type of electronic process such as word processing software, e-mail systems, or other computer programs. The principles of records management for electronic records are very similar to those for paper records.

Electronic records management is not being addressed at the individual agency level or by the policy-setting agencies. Almost everyone agreed that electronic records management will be of increasing importance as more and more agencies are replacing their paper-based business processes with document imaging systems. Agencies are implementing these systems because of the many advantages of managing documents while they are in the active stage of their life cycle. Imaging systems allow for rapid document retrieval, remote access to documents, simultaneous access by many users, and controlled document routing through a prescribed workflow.

The concern for the volume of physical space needed in offices and records warehouses for paper records is not an issue with electronic records. With electronic records, physical storage space concerns are replaced by concerns over storing electronic records on hard disk drives, magnetic disks, optical disks, and magnetic tapes. Since electronic storage volumes are not as easily visualized, excess storage is not as obvious. Instead of making retention decisions it is easier to just increase the amount of tape and disk storage. Problems can creep in over time as storage media starts to deteriorate and when computer hardware and software changes hinder data retrieval from the storage media.

A review of electronic records management could determine if state agencies are managing their electronic records efficiently and in compliance with state laws. The review could also analyze the oversight and direction provided by the Department of Administration, the Secretary of State, and the State Archives.

State Archives Records Storage

In Chapter V we discuss the growing volume of permanent records created by state agencies. Many of these permanent records will end up at the State Archives which has reached its current storage limits and has had to seek out additional storage locations. Since physical storage space is limited, decisions need to be made related to the value of various types of state and local government records and what is the most efficient way to store the records. Also if these stored records are to be of use to researchers, the State Archives needs to

Chapter I - Introduction

have the records entered in its searchable computer database. This requires processing the boxes of records to remove unnecessary records and inventorying and cataloging the contents of each box. The State Archives has the equivalent of about 11,000 boxes of state agency records. Only about 2,600 boxes worth of records have been fully processed. This means these collections have been consolidated, re-folded and re-boxed into acid-free containers. The collections are then cataloged and placed on a searchable database. An additional 6,000 boxes of state records have been preliminarily processed, meaning they have a minimum of order and at least a box-level preliminary inventory.

To meet its growing storage needs and for additional staff to process and catalog state records, the Historical Society sought approximately \$176,000 in additional funding for the State Archives from the 2001 Legislature. The Society received a one-time appropriation for \$25,000.

A review of the State Archives could determine if there are any efficiency gains that could be achieved within the Society's current structure and processes. For example, a study examine the costs and advantages of alternative storage media (microfilm and document imaging) for the storage of permanent records. It is possible that the savings in storage costs could pay for the conversion of some permanent records to other types of media. A review could also evaluate the Society's effectiveness in meeting the State Archives' legislative mandate and potential funding sources.

Report Organization

This report is organized into five chapters. Chapter II presents background on state government records management. Chapter III describes the types of records management programs we observed during the course of the audit including the weaknesses we found. Chapter IV discusses the importance of records management programs and the causes and effects of poor records management practices. Chapter V discusses the improvements that could be made in state government records management. Our recommendations are directed to the Secretary of State.

Chapter II - State Government Records Management

Introduction

One of the common denominators for all state agencies is that they produce records as a result of their programs. Quoting from the Secretary of State's website:

"Records are indispensable to the efficient and economical operation of government. They serve as the governmental memory: they are the evidence of past events and the basis for future action. When created, maintained, and disposed of in a systematic and orderly fashion, records are a tremendous asset."

The volume of records produced by state government is very large. This is evidenced by the size of the State Records Center maintained by the Secretary of State. This facility is designed to hold inactive records and is available for use by all agencies. The Center can handle up to 44,000 boxes which is equivalent to about 110 million government documents. In January 2002, the State Records Center was essentially full until about 9,000 boxes from the Department of Public Health and Human Services (DPHHS) were moved to a private facility that was contracted to take the overflow. DPHHS, the state's largest department, currently has over 13,000 boxes in storage. Over the last four years, despite the disposal of almost 2,500 boxes, the department had a net gain of close to 1,000 boxes.

State Government Records Management Statutes

State government records management statutes give both the Secretary of State and the State Archives a role in working with state agencies and helping to manage their records.

State Archives

The State Archives' role was created first with the passage of Chapter 108 by the 1969 Legislature. Initially the State Archives had an active role over state government records management which was later amended to more of a permissive role that was to be performed "upon request" of individual agencies.

The 1977 Legislature gave the State Archives (Montana Historical Society) responsibilities over records "made or received by a constitutionally designated and elected official of the executive

Chapter II - State Government Records Management

branch of government". This act (Chapter 441) was designed to provide for the "efficient centralized records retention and destruction program" for the Governor, Lieutenant Governor, Attorney General, Secretary of State, Superintendent of Public Instruction, and State Auditor. Section 2-6-302, MCA, specifies the powers and duties of the Montana Historical Society in relation to the official records of these elected officials. These powers and duties include:

- ▶ establish and operate the State Archives as authorized by appropriation for the purpose of storing and servicing official records transferred to the custody of the State Archives;
- ▶ in cooperation with the Secretary of State, the Local Government Records Committee and the State Records Committee, establish guidelines for the inventorying, cataloging, retention, and transfer of all official records;
- ▶ maintain and enforce restrictions on access to official records in the custody of the State Archives; and,
- ▶ provide adequate housing and care of official records in the custody of the State Archives to insure their proper preservation and use by the public.

Secretary of State

The Secretary of State is responsible for administering the Public Records Management Act (Chapter 339, Laws of 1977). The purpose of this act was to "create an effective records management program for executive branch agencies". Originally, the responsibility for administering the act was given to the Department of Administration (DofA). The law was directed at executive branch agencies but provided for DofA to assist and advise the legislative and judicial branches in the establishment of records management procedures upon their request. The responsibility for state records management is now with the Secretary of State. Section 2-6-203, MCA, gives the Secretary of State broad powers and duties related to executive branch records management including:

- ▶ Establishing guidelines for inventorying, cataloging, retaining, and transferring all public records of state agencies.

Chapter II - State Government Records Management

- ▶ Reviewing and analyzing all state agency filing systems and procedures and approving filing system equipment requests.
- ▶ Establishing and operating the State Records Center.
- ▶ Gathering and disseminating information on all phases of records management, including current practices, methods, procedures, and devices for the efficient and economical management of records.

State Records Committee

The Public Records Management Act also created the State Records Committee which was made up of representatives from the Department of Administration, the Legislative Auditor, the Attorney General, and the Montana Historical Society. A representative of the Secretary of State was added to the committee in 1989. The main duty given to the Committee was approval over agency records retention schedules and records disposal requests.

State Records Center Operations

The Secretary of State has delegated responsibilities established by the Public Records Management Act to the Records Management Bureau which operates the State Records Center. One of the primary functions for the State Records Center is the storage of inactive agency records. Agencies transfer inactive records to the Center by filling out a form where they list the record types and volumes of inactive records they want to store at the Center. Agencies are required to place their records in records storage boxes which can be purchased from the Center. A standard records box holds one cubic foot of records or about 2,500 pages. Staff from the Center will pick up boxes at the agency and also deliver boxes when they need to be retrieved by the agency. Records stored at the Center are still under the control of the individual agencies. The State Records Center is only the custodian of the records and any access or action taken with the records requires agency approval.

Another function of the Center is converting paper documents to microfilm or microfiche. This process involves using a machine to take pictures of each page, processing the film, and indexing the images. Recently more agencies have been using the Center for the service of converting paper documents to electronic images.

Chapter II - State Government Records Management

The State Records Center is funded entirely from fees charged for its services. Some of the common fees related to the records storage process include:

- | | |
|----------------------------------|------------------|
| ▶ Purchase a standard record box | \$1.34 each |
| ▶ Store one record box | \$.295 per month |
| ▶ Retrieve one record box | \$1.50 per box |
| ▶ Shredding records | \$23.05 per hour |

The State Records Center services are accounted for in an internal service fund. As such, fees must be commensurate with the costs of the Center.

The following table shows revenues and expenditures for the State Records Center for fiscal year 2000-01.

Table 1

State Records Center Revenues and Expenditures
Fiscal Year 2000-01

| Revenues | Fiscal Year 2000-01 |
|--------------------------|--------------------------------|
| Storage Fees | \$ 166,104 |
| Microfilm Fees | \$ 130,249 |
| Vault Storage Fees | \$ 7,230 |
| Imaging Fees | \$ 33,182 |
| Recycling/Shredding Fees | \$ 20,227 |
| Box Purchases | \$ 16,784 |
| Miscellaneous | \$ 59 |
| Total | \$ 373,835 |
| Expenditures | |
| Personnel Services | \$ 231,920 |
| Other Services | \$ 37,594 |
| Supplies and Materials | \$ 28,046 |
| Communications | \$ 3,631 |
| Travel | \$ 252 |
| Rent | \$ 53,498 |
| Utilities | \$ 805 |
| Maintenance | \$ 17,284 |
| Other Expenses | \$ 4,810 |
| Merchandise | \$ 9,776 |
| Total | \$ 387,616 |

**Source: Compiled by the Legislative Audit Division from
Secretary of State records.**

The State Records Center is staffed with 9.5 FTE. Center staff involved directly with inactive records storage consist of the Center manager, an office administrative position that handles record keeping and billing, and two staff that work in the records warehouse. The remainder of the staff work in the microfilming and imaging operations.

The State Records Center also provides records management training to state agency staff sponsored through DofA's Professional Development Center and sometimes directly sponsored through the State Records Center.

Chapter II - State Government Records Management

Agency Records Management

In order to have a workable records management program, records management authorities recommend obtaining support from top management within the agency. This support should be formalized in a written records management policy. Top management can then appoint a records coordinator to be responsible for developing and operating the program. The records manager must coordinate four basic steps:

- ▶ Inventory the records the agency produces.
- ▶ Appraise the value of the different record types.
- ▶ Determine time periods for retaining each type of record.
- ▶ Destroy records no longer needed.

The agency's records coordinator should gather information from individuals within the agency that use, handle, or have knowledge of the agency's records. The Secretary of State has a "Records Series Profile Form" that can be used to document information collected on each record type.

Determining Retention Periods

Once all of the record series or types have been identified, the coordinator, with assistance from other knowledgeable staff, can determine the operational, legal, fiscal and historical value of the records. This analysis will help the coordinator and agency management make decisions about how long to keep each record type (retention period) and what to do with the records when they are no longer needed (disposition). "General Records Retention Schedules" published in the Montana Operations Manual (MOMs) provide guidelines for how long to keep certain types of records that are common to most agencies (financial reports, payroll records, personnel records, etc.). For records not listed in the general schedules, the MOMs direct the agency to develop agency-specific retention schedules.

As part of a records retention schedule, the coordinator needs to consider where the records should be stored and their final disposition. Records that are referenced frequently should be stored in the office. As the records are needed less frequently (say less than

Chapter II - State Government Records Management

once every three months) they are then considered inactive records and should be stored at the State Records Center. When records are no longer needed by the agency it is necessary to determine their final disposition. Usually a record will either be destroyed or if it has permanent administrative or historical value it should be transferred to the State Archives. When all of this has been determined, the retention schedule can be submitted to the State Records Committee for approval. A retention schedule should include the following information for each record type:

- ▶ Form/Report Number
- ▶ Record Series Title
- ▶ Years retained in the office
- ▶ Years retained at the State Records Center
- ▶ Total retention period
- ▶ Final disposition

Records Disposal

When records are scheduled for final disposition, it is necessary to complete a Records Disposal Request Form which needs to be submitted to the State Records Committee for approval. When the records are actually destroyed (through recycling, shredding, or discarding) this should also be documented (record types, quantities, and dates of the records). Destruction dates can vary significantly from scheduled disposal dates for a variety of reasons. The agency may fail to submit a disposal request form, the State Records Committee may hold approval while waiting for more information, or the agency may decide the scheduled records are going to be needed longer than originally planned. That is one of the reasons disposals are not automatic once a scheduled disposal date is reached. In addition to getting approval from the State Records Committee, agency management and agency legal counsel need to review the records disposal request to see if any extenuating circumstances may require keeping the records for a longer time period.

Chapter III - Agency Records Management Observations

Introduction

We visited several state agencies and units of the Montana University System to observe their records management practices. We chose some agencies with established records management programs that could serve as good examples. We chose other agencies based on knowledge that they were not following records management requirements such as storing inactive records inappropriately. Other agencies were chosen randomly. The following sections discuss our observations and findings. Information was obtained from visits to the sample of agencies, from information provided directly by the agencies through questionnaires, and from documentation of agency retention schedules and disposal requests maintained by the Secretary of State.

Agencies With Established Records Management Programs

We visited the Department of Transportation and the Montana State Fund since they had established programs. We observed their operations and discussed their records management practices with their records managers. We found these two agencies had programs that included the various steps and criteria discussed in Chapter II.

Department of Transportation

The Montana Department of Transportation (MDT) began its records management program back in the 1980's partly because the department was swamped with records to the extent it was causing safety concerns. The greatest volume of records for MDT is generated from the department's processes that are followed to design highway projects and to monitor project construction.

MDT started its program with support from the department director. A 1985 memo from the director officially established the program and briefly laid out some of the basic policies agency staff were directed to follow including:

- ▶ All offices must adopt the procedures outlined in the department's "Records Management Procedures Manual."
- ▶ Three years after final payment, highway project records are sent to the department's records center.

Chapter III - Agency Records Management Observations

- ▶ The second week of December is “Records Clean-Up Week.”
- ▶ Records Disposal Requests are due in the Office Support Unit by October 1 each year.
- ▶ All file cabinet purchases must be approved by the Office Support Unit.

MDT has an overall records manager. The various work units within the department have records coordinators. The records manager operates a records center in the basement of their building. All records in the center have disposal dates and when records are actually destroyed, the destruction date is documented. Records stored in the center are tracked on an Oracle database. If stored records are retrieved by one of the work units they must be checked out on the computer system. The following picture shows records stored in the MDT records center. The boxes are well labeled, row locations are marked, and boxes are stored on shelves and off the floor.

Figure 1

Records Storage - MDT Records Center



Source: Legislative Audit Division.

Chapter III - Agency Records Management Observations

The department has established file naming conventions and records retention schedules have been approved by the State Records Committee. MDT has received blanket approval from the State Records Committee to approve its own disposal requests. The records manager occasionally visits the various department units, including the field offices, to determine if the work units are following department policies. Units that have records beyond their disposal dates are sent reminder notices. The department is also working on its Electronic Document Management System.

Montana State Fund

We conducted a performance audit of the Montana State Fund in 1987 (then called the Division of Workers' Compensation). Part of that audit concentrated on work load and work flow analysis for workers' compensation claims processing. At that time, the division's open caseload was rapidly increasing. The division was being buried in paper as the number of claims filed continued to increase. The division had 10 file clerks and a file supervisor who were responsible for sorting and filing all claims correspondence and circulating the claims files to the Medical Payments, Claims Management, Legal, and Clerical Support sections. We found the division did not have adequate shelving and counter space. Numerous files were stacked along walls, under counters, and under the automated file retrievers. Files were sometimes stacked three and four feet high. Claimant files were constantly being circulated among the various sections of the division. The file retrieval backlog and misplaced files were creating a bottleneck for the entire system. We made several recommendations to improve the paper-intensive system.

For our current records management audit, our visit to the Montana State Fund was prompted partly because we were interested in the organization's switch to an electronic document imaging system in 1995. At that time the office began imaging all of its policy files and accident files. After observing the problems with the paper-intensive system, we wanted to see some of the changes made by an electronic system. One of the most striking changes is the scarcity of paper files

Chapter III - Agency Records Management Observations

in the building. Staff can now have simultaneous access to claims files eliminating the need to route paper files through the building.

In March 2000, the State Fund presented an "Imaging Migration Plan" to the State Records Committee. One of the keys to this plan was setting forth policies and procedures to ensure that electronic images will be migrated to new media when needed and that technology changes will be accounted for so that stored images will continue to be accessible. The Committee's approval of the migration plan allows the agency to dispose of the paper copies six months after they are imaged. When the plan was approved, the agency submitted a records disposal request for the disposition of an accumulated backlog of approximately 1,600 boxes of records.

The State Fund's document imaging system and resulting record management system also started with support of top management. The agency worked with the State Records Committee to get approval for its migration plan and records retention schedules. The agency maintains a small record center for managing its administrative records that are still maintained in paper form and for storing paper documents that have been imaged and are waiting for disposal. The State Fund has both a Document Processing Leader and a Records Manager.

Many Agencies With Poor Records Management Practices

While we observed agencies where records management has been given some emphasis and priority, our audit work revealed that most agencies are doing an inadequate job of managing their records. Since our audit was focused on inactive paper records, our observations (and subsequent findings) were concentrated in three main areas:

- ▶ Records Storage Practices.
- ▶ Records Retention Schedules.
- ▶ Records Disposal Practices.

Chapter III - Agency Records Management Observations

Improper Records Storage Practices

Conclusion: Many agencies are storing inactive records in noncompliance with state law.

The growing volume of inactive and permanent records has resulted in many agencies using improper storage practices. Section 2-6-211, MCA, sets state policy for records storage by stating:

“All public records not required in the current operation of the office ... shall be, in accordance with approved records retention schedules, either transferred to the state records center or transferred to the custody of the state archives if such records are considered to have permanent administrative or historical value.”

We found many agencies are not in compliance with state policy and instead store too many inactive records in office space or resort to stacking of records boxes in basements, stairwells, closets and other “hidden” areas of their buildings. We found some agencies have rented storage facilities for inactive records.

We found a large rental storage facility in the basement of the Old Liquor Warehouse in Helena. This facility is managed by the Department of Administration which rents out wire-enclosed “cubicles” for various types of agency storage including equipment, furniture, forms, and records. The facility has 28 storage cubicles most of which are approximately 200 square feet and rent for \$416 per year. At least eight different departments have records stored in this facility. We estimated the records storage portion totaled approximately 2,500 boxes plus an additional 30 file cabinets. In addition to this records storage being in non-compliance with state law and policy, the records in this facility are not well protected. The building has a history of flooding and several agencies have had water-damaged records. Security over records at the facility is also a concern. The storage cubicles have locking gates, but during our visits we noted several of them were unlocked. In addition, access to the facility is not controlled. Most of the cubicles have shelving but we found many of the boxes are stacked on the floor hindering the agencies ability to easily find and retrieve needed boxes. The

Chapter III - Agency Records Management Observations

following pictures are some common examples of the records storage we observed at the Old Liquor Warehouse.

Figure 2

Records Storage - Old Liquor Warehouse



Source: Legislative Audit Division.

Figure 3

Records Storage - Old Liquor Warehouse



Source: Legislative Audit Division.

Chapter III - Agency Records Management Observations

Some of the other records storage practices we found included:

- ▶ The Department of Justice storing criminal case records at the Law Enforcement Academy. The department's boxes are well labeled. They have a records inventory and procedures to ensure security over the files. Department staff indicated the low cost of this storage compared to the State Records Center is one reason for using this location.
- ▶ The Department of Public Health and Human Services (DPHHS) has over 13,000 boxes in storage at a contracted storage facility. These records are tracked on a department database. However, the department also has untracked records storage in the basement of one of its buildings. Some of this storage resulted when records boxes were transferred from other agencies during reorganization. Much of this storage is unorganized and is not contained on the department's central inventory. The following picture shows some of the DPHHS basement storage.

Figure 4

Records Storage - DPHHS Building Basement



Source: Legislative Audit Division.

- ▶ The Department of Environmental Quality (DEQ) has a large records storage area in the basement of its building on the Capitol Complex. The storage area contains approximately 420 boxes. Some parts of this storage area were well organized and the

Chapter III - Agency Records Management Observations

boxes were labeled. Some of the boxes were in caged areas and placed on shelves but not all of the areas were secure. Many boxes were loosely stacked in the front part of the storage area which was open to the public and poorly organized. The following picture shows some of the poorly organized records storage.

Figure 5

Records Storage - DEQ Building Basement

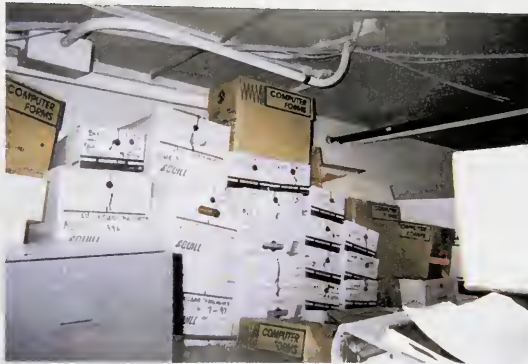


Source: Legislative Audit Division.

Chapter III - Agency Records Management Observations

- ▶ The University of Montana- Missoula stores records in various locations on the campus. In one area we found boxes with student records stored in unlocked, unattended storage areas. We also noted boxes stored on the floor of a basement room with other boxes piled onto top of them up to five boxes high. This makes retrieval of the lower boxes difficult. The following is a picture of some of the basement records storage we found.

Figure 6
Records Storage – The University of Montana Building
Basement



Source: Legislative Audit Division.

Chapter III - Agency Records Management Observations

- ▶ MSU-Bozeman recently completed a new records management building at a budgeted cost of \$482,000. In February 2001 they filled the building with 11,000 boxes of records. By August 2001 funding for staffing the new facility was cut. Currently the various departments can retrieve records from the facility but they must make alternative arrangements for storing them as the new facility does not accept any additional records, nor do they accept previously stored records. We noted departments on the campus storing boxes of records in aisles and on top of filing cabinets within their office space. Others rent separate storage facilities or use basement spaces within the campus. The following is a picture of MSU's new records management building.

Figure 7

Montana State University - New Records Management Building



Source: Legislative Audit Division.

- ▶ The Supreme Court (Judicial Branch) is storing inactive records in many locations: the Justice building, the Old Liquor Warehouse, contracted storage, and the State Records Center. Most of the boxes at the Old Liquor Warehouse (estimated over 500 boxes) contained old Supreme Court case files that were microfilmed between 1978 and 1981. The microfilmed records included case files starting with Territorial records up through 1937. At that point, the Court ran out of funding. The paper copies of the Territorial records and selected other significant

Chapter III - Agency Records Management Observations

cases were transferred to the Montana Historical Society. The remaining paper files were stored apparently unnoticed for about 20 years until the Court submitted a records disposal request in 2001. The State Records Committee approved the request but at the time of our audit (June 2002), the boxes were still waiting for disposal.

- ▶ The Department of Fish, Wildlife, and Parks stores inactive records in many locations: regional offices, headquarters building, the State Records Center, and at a large warehouse at its Custer Avenue facility. The warehouse is an unheated Quonset-type building. The various divisions in the department all have their own storage procedures and make their own decisions on storage locations. Records stored in unheated warehouses are subject to damage due to the effects of temperature and humidity fluctuations. Staff also commented that working with the records in that building can be unpleasant when it is either too hot or too cold.
- ▶ We noted other instances where other agencies were storing boxes on the floors of storage locations, often stacked several boxes high and with poor labeling. All of this hinders box retrieval. In addition, when boxes are stored directly on the floor they are subject to water damage.

Agencies Not Completing Retention Schedules

Conclusion: Many agencies are not completing records retention schedules as required by state law and policy.

All executive branch agencies are required to use General Retention Schedules for record types that fit these schedules and to submit agency-specific retention schedules for all other types of records. Section 2-6-213, MCA, requires agencies to:

“...analyze records inventory data, examine and compare divisional or unit inventories for duplication of records, and recommend to the secretary of state and the state records committee minimal retentions for all copies of public records within the agency.”

In our questionnaires we asked agencies for information on their records that require the most volume of paper record storage. Of the 37 departments and attached agencies that responded, 15 did not have retention schedules for their records which require the most storage.

Chapter III – Agency Records Management Observations

Agencies submitting records disposal requests are also required to note which general retention schedule applies or to have approved agency-specific schedules for each record type covered in their disposal request. We found examples where agencies appeared to be trying to “fit” their record type into an existing category of records covered by the general schedule rather than developing their own specific schedules.

We also found most agencies are not submitting retention schedules for their permanent records. This means the State Records Committee cannot review agency decisions on permanent records and therefore cannot determine if the agency is meeting the statutory requirement of having “minimal retentions” for all record types. (We discuss permanent records in more detail in Chapter V.)

Agencies Not Following Records Disposal Requirements

Conclusion: Many agencies are not submitting records disposal requests as required by state law and policy.

All executive branch agencies are required to have approval of the State Records Committee before disposing of any public records. Section 2-6-212, MCA, states:

“...no public record may be disposed of or destroyed without the unanimous approval of the state records committee. When approval is required, a request for the disposal or destruction must be submitted to the state records committee by the agency concerned.”

Many agencies are not properly submitting records disposal requests to the State Records Committee. The problems tend to fall into three categories:

- ▶ Disposing of records without submitting disposal requests to the State Records Committee.
- ▶ Not adequately describing the records to be destroyed on their records disposal request forms.
- ▶ Not submitting disposal requests in a timely manner so that inactive records are stored too long.

Chapter III - Agency Records Management Observations

Not Submitting Disposal Requests

Staff from several agencies and several units of the University System told us they threw away records without submitting disposal requests. Only 36 of the 101 agency units that completed our questionnaire said they regularly submit disposal requests to the State Records Center.

In 2001, a MSU-Bozeman records technician prepared a report on records management. The report noted that several MSU departments were destroying records without approval of the State Records Committee. In attempt to gain more compliance, the report also discusses why approval by the Committee is significant to the University:

“... the state records disposal process puts in writing the concurrence of the [State Records Committee] that the specific records being destroyed are considered obsolete and without significant historical, legal, or administrative value. This process gives some measure of protection to the University from personal liability lawsuits ...”

Not Adequately Describing Records

Some agencies are not adequately describing the records that are listed on the disposal requests (often times because they are trying to fit their records into a general retention schedule category) making it difficult for the State Records Committee to properly review their request. For example, in the first half of 2001, the Department of Public Health and Human Services submitted five disposal requests covering over 500 boxes of records. The State Archivist wrote:

“The most prevalent problem encountered in evaluating these records was a lack of consistency between the description of the records given on the disposal request and the type of record being disposed of. ... These problems cause delays and difficulties in determining which records have permanent value and should be transferred to the State Archives.”

Not Submitting Requests in Timely Manner

Another concern is agencies are not always submitting their disposal requests in a timely manner. This ties up storage space and costs agencies more money. In our review of records disposal logs maintained at the State Records Center we noted many instances

Chapter III – Agency Records Management Observations

where disposal requests were submitted many years after the records were beyond their disposal date. Many of the records went back to the 1970's and 1980's. For records stored at the Center, about 25 percent of the boxes had disposal dates. Of these boxes, about 4,000 or 52 percent were past their disposal date. Staff of the State Records Center estimated that about 1/3 of the total boxes at the Center were past their disposal date.

Agencies Not Documenting Records Destruction

Conclusion: Most agencies are not documenting when records are actually destroyed as recommended by records management authorities.

After records disposal requests are approved by the State Records Committee, the actual disposal needs to be carried out. If an agency's inactive records are stored at the State Records Center, the agency needs to direct the Center to dispose of the records or make other arrangements. The actual disposal of the records is not automatic. Records management experts recommend that the actual records destruction be certified by placing the date and records manager's signature on the disposal request form.

We found agencies with established records management programs, like the Department of Transportation, do document the date when records are actually destroyed. Agencies without established programs often do not have disposal schedules, do not submit disposal requests and do not document actual disposals.

Summary

Our review of agency practices related to managing inactive records showed that most agencies are not in compliance with state laws or policies or with practices recommended by records management authorities.

Chapter IV - Importance of Records Management

Introduction

There are many benefits to having a well-run records management program. Some of these benefits are discussed in chapter 1-0800 of the Montana Operations Manual. These benefits include:

- ▶ Save space by removing records no longer of significant value from costly office space and by removing records of no value from storage space.
- ▶ Save money by providing low cost storage for inactive records and by reducing the need for filing equipment.
- ▶ Save time by reducing the volume of records that are filed and re-filed and by providing for an orderly system for storing and retrieving inactive records.

The Association of Information Management Professionals notes very similar benefits from what they call a “records retention and disposition program”. This association lists some additional benefits including:

- ▶ Consistency in records disposition. By defining specific procedures and actions to be taken for records retention and disposition, there is less chance for “inconsistent, reckless or personally-motivated” disposal of records.
- ▶ Compliance with legal retention requirements. The existence of an established records management program demonstrates to judicial and governmental bodies that records are disposed of “in accordance with published laws, in the regular course of business, and without motivation to conceal unfavorable information.”
- ▶ Protection during litigation or investigation. The program ensures records are properly handled in anticipation of and during litigation or government investigation.

Effects of Not Adequately Managing Records

If an agency does not have an established records management program then the benefits of a records management program will not be realized by the agency. The effects of not adequately managing records can include:

Chapter IV - Importance of Records Management

- ▶ Added space costs.
- ▶ Historical records not being saved.
- ▶ Increased risk of records damage or loss.

Added Space Costs

If the agency has extensive records (which is a normal occurrence since most agencies save records for too long) then the agency is spending too much on either extra office space taken up by inactive records and/or too much on records storage space. During our audit we concentrated on finding out-of-office inactive records storage. As discussed earlier, we found numerous examples of this type of storage in rented storage locations, in building basements, in building closets, and in various hallways, stairway entries, etc. It is difficult to estimate the added costs for storage that could be eliminated if more agencies had established records management programs and kept records storage to a minimum.

If inactive records storage at the State Records Center is an indication of overall records storage, then agencies are tying up a relatively large amount of space with excess records. About 25 percent of the records stored at the State Records Center have disposal dates recorded in the Center's computer system. We found about 52 percent of these boxes (about 4,000 boxes) were past their disposal dates. About 17 percent should have been destroyed 10 or more years ago. Some of these records have been stored for an extra 20 years. We calculated that agencies spent over \$67,000 (cumulative cost) on storing these past due records (about \$13,000 of this was during 2001). We could only do an analysis of the 25 percent of records with disposal dates. We know the actual costs for all extra storage are much higher. If enough past due boxes were removed from the State Records Center, it may be possible to bring back the DPHHS boxes that are currently stored at a contracted facility with a storage cost of about \$33,000 per year.

For Helena agencies in state-owned buildings, office space costs \$4.766 per square foot per year. On the other hand, rental costs for warehouse-type storage in state buildings costs \$2.12 per square feet per year. If an agency could reduce its office space needs by

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destroying unneeded records or moving inactive records to storage it could save money. For example, if extra records could be eliminated saving one 250 square foot office, an agency would free up space worth almost \$1,200 per year.

MSU-Bozeman recently constructed a records storage facility, but due to a lack of funds has not been able to actively manage the facility. Because of this problem, a May 2001 MSU-Bozeman report on records management noted that many MSU departments are increasing costs by storing records in valuable space within their buildings. Other departments were spending additional funds renting storage units or tying up other campus space for records storage. The report noted that departments with new buildings with more space tended to keep their records longer.

Historical Records Not Saved

One of the keys to preserving historical records comes from the State Archivist's review of records disposal requests. As we noted earlier, agencies need to properly complete disposal request forms, including accurately describing the records, for this review to be meaningful. When agencies destroy records without review by the State Records Committee, the State Archivist does not have a chance to intercept historical records prior to disposal. Historical records that are improperly destroyed are lost forever.

A review of agency records transfers to the State Archives from 1990 to 2001 shows that some agencies did not transfer any historical records to the State Archives during this time period. Many other agencies only had intermittent transfers and or transfers of a small number of records. The State Archives relies on agencies to follow records management practices so the Archives is notified when potential historically significant records are going to be destroyed.

Records Damage or Loss

For agencies that are not following records management laws and accepted practices, there is a greater chance that records could suffer damage or loss. As we noted earlier, much of the improper storage practices we saw involved records that were haphazardly stacked in basements, stairwells, etc. Usually these types of records also do not

Chapter IV - Importance of Records Management

have inventories and the locations are not secure. All of these situations can contribute to lost records.

We found many records were stored directly on the floor. These records are subject to water damage which has occurred to records owned by several agencies at the Old Liquor Warehouse. In addition, records stored in rented storage buildings and in some other facilities without heat can be also be damaged over time.

When agencies are following accepted practices, agency management is also more aware of what is happening with the records that are their responsibility. If an investigation or federal review is initiated on an agency, then the investigators will need to see the agency's records. If the agency has improperly destroyed the records, or if the records are lost or damaged, the agency may not be able to support its actions. For records that have been destroyed, the agency will need to show the records disposal was done as a "as a regular course of business" and without motivation to conceal unfavorable information.

Causes of Poor Records Management Practices

There are many causes to the problems we saw with agency records management practices including:

- ▶ Many agencies do not have records management policies in place to direct activities. Less than half of the respondents to our questionnaire indicated they had their own agency-specific records management policies. Agencies could benefit from using the MOMs chapter on records management.
- ▶ Most agencies do not have an overall records manager with sufficient authority to influence actual agency records practices. One of the first steps for a records manager would be to take an inventory of all of the agency's records. Only about 15 percent of respondents to our questionnaire indicated their agency had completed a records inventory.
- ▶ Records management costs are not immediately apparent. Excessive space costs are not obvious without management analysis. Costs may only become significant over a period of time and thus not attract management attention.

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- ▶ The Secretary of State has been given statutory authority to oversee executive branch records management but the office has limited resources to fully implement the law. As the result, the office primarily only acts on retention schedules and disposal requests that are submitted by the agencies. The office does not seek out agencies that are not submitting these forms.

In order to improve agency records management practices it is necessary to address these causes for the poor records management practices followed by most agencies. In the next chapter we make recommendations to the Secretary of State that should help all agencies establish better records management programs.

Chapter V - Records Management Improvements

Introduction

In this chapter we present recommendations to the Secretary of State that are designed to improve state government records management practices. The first recommendations are directed at improving practices for storing inactive records at the State Records Center. The second set of recommendations are designed to enable the Secretary of State to work more closely with agencies to improve agency practices and to improve agency compliance with records management laws. Other changes will depend upon input from the State Archives to improve agency practices related to permanent records. Some changes will require amendments to current records management laws.

State Records Center Improvements

There are several improvements that could be made in the operation of the State Records Center specifically related to storage and disposition of inactive records. These improvements are:

1. Use the Center's automated box management system.
2. Require all boxes stored at the Center to have disposal dates.
3. Notify agencies when boxes are past their disposal date.
4. Document actual records disposals.

Each of these improvements is discussed below.

Implement Automated Box Management System

The Secretary of State primarily uses a paper file system to track boxes that are stored at the State Records Center. When new boxes are transferred to the Center the agency must complete a "Transmittal of Records Form." This form is critical to the Center's paper file system and is used to track each box and its location within the Center. Agencies are given a copy of the form after the Center adds box locator numbers.

The Center's files must be updated when any of the boxes are retrieved by the agency and when the boxes are replaced on the shelves. When boxes are destroyed, the Center's files must be updated once more. Since the center can hold up to 44,000 boxes it is difficult to manually track that many boxes. In addition, with the current manual system it is very difficult to find boxes that are past

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their disposal date. It is also difficult to “search” for specific boxes that an agency may have lost due to incomplete agency records.

The Center does have an automated box management system that is in the trial stages but its database is not yet complete. Center staff views this system as sort of a backup to the paper system. Center staff have not switched from the paper file system to the automated system partly because of familiarity with the current system and because the database is not complete.

We believe the staff could be more efficient if the Center would complete the automated system’s database and make the switch to the automated box management system. The Center could retain the paper files as the backup to the automated system.

Require Box Disposal Dates

We found only about 25 percent of boxes stored at the Center have disposal dates. Of these boxes with disposal dates, about 52 percent were beyond their disposal date which has cost agencies an additional \$67,000 in storage costs. It is desirable for the Center to help agencies manage their records storage and to keep storage volume (and cost) as low as possible. One way to help this process would be to require agencies to include records disposal dates on all records boxes stored at the Center.

Notify When Boxes Beyond Disposal Dates

As noted above, for the boxes at the Center with disposal dates, about 52 percent are beyond their disposal date. The Secretary of State does not use its box management system to manage its boxes and thus does not have an easy way to determine which boxes are past their disposal dates. As indicated by the statistics, many agencies also do not track their disposal dates. The end result is that the State Records Center has many boxes that could be destroyed. If the overdue boxes were destroyed, many of the boxes currently at the contracted facility holding the overflow boxes could be moved back to the Center which would reduce total costs for state document storage.

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After the Secretary of State fully implements its automated box management system, and only accepts boxes with disposal dates, the office can then better manage the boxes stored at the Center. Agencies can be notified of boxes due for disposal and in the end keep the number of boxes at the Center to a minimum. This would ultimately lower agencies' storage costs.

Document Records Disposals

In Chapter III we discussed that most agencies do not document the actual date when their records are destroyed as is recommended by records management authorities. The State Records Center has a log of records disposal requests and this log shows when the requests have been approved by the State Records Committee, but it does not show when the records were actually destroyed. If the records were stored at the Center, the Center's paper file system would show that the boxes were removed from storage. If the records were stored by the agency, then there generally would be no documentation of the actual destruction.

One of the benefits of tracking actual destruction dates would be to help prevent instances where records have been approved for destruction but for some reason the actual destruction was not carried out. This can occur when agencies assume that submitting a records disposal request, and getting that request approved, will automatically result in the records being destroyed. In fact, it is up to the agency to initiate the records destruction after they are notified that their disposal request has been approved. This is because records stored at the Center are still the property of each individual agency. The Supreme Court had a records disposal request covering 400 boxes approved in October 2001. We found these boxes were still in storage at the Old Liquor Warehouse eight months later.

If the Secretary of State and the state agencies documented actual records destruction they would be complying with accepted records management practices. If a question was raised about certain records, the agency could show which records were destroyed in accordance with their disposal schedules and as a normal business practice.

Chapter V – Records Management Improvements

Recommendation #1

We recommend the Secretary of State:

- A. Implement its automated box management system.
- B. Require all boxes stored at the State Records Center to have disposal dates.
- C. Periodically use the automated box management system to determine which boxes are past due for disposal and notify the agencies which have boxes that are past due.
- D. Document all actual records destructions on the records disposal request log.

Working With Agencies

In order for the Secretary of State to be more active in its dealing with state agencies, we recommend several improvements:

- 1. Inform agencies of accepted records management practices by issuing improved records management guidelines.
- 2. Seek legislation to require each department (and attached agencies) to designate an overall records manager to help educate agency staff.
- 3. Allocate sufficient resources to implement section 2-6-203, MCA, to enable the Records Management Bureau to review and analyze state agency filing systems and procedures.

Improve Records Management Guidelines

In order for state agencies to have successful records management programs, agency staff needs to have knowledge about the importance of records management and knowledge about how to implement their programs. Section 2-6-203, MCA, requires the Secretary of State to:

“...gather and disseminate information on all phases of records management, including current practices, methods, procedures, and devices for the efficient and economical management of records ...”

When the program was at the Department of Administration (DofA), the department developed a chapter for the Montana Operations

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Manual (MOMs) that represented the official records management policies and procedures for state agencies. MOMs chapter 1-0800 was last updated in 1986 and still includes references to DofA. After the program was transferred, the Secretary of State has worked at placing more records management information on its website and has also updated the General Retention Schedules

The current MOMs chapter establishes state policy which is outdated. The chapter is over 100 pages long counting the general retention schedules and includes too much detail. For example, a large part of the chapter covers filing systems and procedures which could be simplified. In addition, changes in records management technology have taken place in the 16 years since the chapter was last updated. The Secretary of State's efforts at putting information on their website has merit. However, the information on the website does not include all of the topics covered in the MOMs chapter. In addition, the information is not referenced as official state records management policy or numbered so agencies can refer to specific policy sections. Secretary of State staff agrees with our recommendation and have indicated they will continue to improve the policy information contained on their website.

Require Agency Records Managers

When we sent our agency questionnaire we started with 37 departments and attached agencies. We were contacted by many of the larger departments and told that each division, district, institution, etc. managed its own records and no one could answer one questionnaire for the whole agency. We ended up with responses from 101 agency units not counting the Montana University System. This shows that most agencies have widely decentralized their records management functions and do not have designated records managers.

Records management experts like the Association of Information Management Professionals note that a successful records management program requires a records manager to be responsible for developing and operating the program. The MOMs (section

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1-0810.00) points out the benefits of an agency records officer. The section also states:

“This Records Officer should be assigned at a level within the organization which allows easy access to management and all agency units, and should be given the authority to see that an effective records program is organized and implemented.”

Section 1-0820.40 lists several duties for the “Agency Records Officer” including establishing effective controls over the creation, maintenance and disposition of records within the agency. Both the State Records Manager and the State Archivist have indicated it would be a significant improvement for their operations if they had a single point of contact at each agency.

Back in 1980, the State Records Committee wrote a letter to the Governor noting that most agencies remain unaware of proper records procedures. Then Governor Judge issued a memo on April 11, 1980 to all state agencies, through the Office of Budget and Program Planning. The memo stated:

“To facilitate implementation of the necessary records management practices, each agency is hereby directed to appoint a ‘records management coordinator.’ Each coordinator will work with agency personnel and the Records Management Bureau ... to ensure compliance with established records disposal procedures, establish agency records retention schedules, and promulgate modern records management practices within the agency.”

Over the years it appears this directive has been disregarded. Records management authorities and state officials are aware of the importance of having agency records managers. State policy has been issued directing agencies to name a records manager. However, many agencies have not taken action to carry out this policy. Therefore, we believe the Secretary of State should seek legislation to require all state agencies to designate a records manager. To help keep agencies informed of the latest news and problems, the Records

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Management Bureau could hold periodic meetings with agency records managers.

Review and Analyze Filing Systems and Procedures

Section 2-6-203, MCA, requires the Secretary of State to “review and analyze all state agency filing systems and procedures ...”. As we noted in the last chapter, the office does not take this proactive approach but rather waits for agencies to send in records retention schedules and records disposal requests. These two forms are the main records management review functions performed by the office. While these reviews do provide some insight into records management activities of some agencies, not all agencies complete these forms.

To fully implement section 2-6-203, MCA, the Secretary of State will need to begin to review agency filing systems and seek out agencies that are not complying with records management requirements. In order to do this, it will be necessary for the Secretary of State to dedicate additional resources to this function. Secretary of State staff agree with our recommendation and have indicated they will review options for providing additional resources to perform these functions.

Recommendation #2

We recommend the Secretary of State:

- A. Improve records management guidelines provided to state agencies.**
- B. Seek legislation to require all agencies to designate a records manager.**
- C. Review options for additional resources to implement section 2-6-203, MCA, and actively review and analyze agency filing systems and procedures.**

Managing Permanent Records

Our questionnaire results and our agency visits both showed that many agencies are designating some of their records for permanent storage. Most of these decisions are being made by agency staff and are not being reviewed by the State Records Committee. The end

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result is that the volume of permanent records is increasing at agency storage locations, at the State Records Center, and at the State Archives. Some agencies may be keeping permanent records that are not needed which is increasing costs for state agencies and for the State Archives. We found improvements could be made in two areas of permanent records storage:

1. Agencies need to be better informed of what records actually need to be designated for permanent storage.
2. Agencies need to submit records retention schedules for permanent records so their decisions can be reviewed by the State Records Committee.

Education About Permanent Records

Agencies are not well informed on which records should be kept permanently and may be keeping more records than necessary. The State Archives estimates that no more than 20 percent of state records have permanent value. We found that 21 of the 37 agencies that responded to our questionnaire indicated they were saving at least a portion of their records as permanent storage.

Current MOMs do not give much guidance to agencies other than noting that permanent records should be transferred to the State Archives after their use by the agency has been completed. We found a 1992 policy and procedure for the MSU Archives. This document was issued by the President of MSU to all vice presidents, deans, directors, and department heads. This document served as a guide to all departments as to what types of documents should be considered for permanent storage, how the departments are to work with the MSU Archives in storing these records, and how archival materials can be accessed. The State Archives has not produced a document like this to help guide state agencies in selecting records for permanent storage and how to best work with the State Archives in storing permanent records. We discussed this issue with the State Archives and they agreed that such a document would be helpful to state agencies and said it could be included in current Secretary of State records management training materials and made available on

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the State Archives website. This information should also be made a part of the Secretary of State's records management policy.

Retention Schedules for Permanent Records

Currently most agencies that have made decisions to keep various types of permanent records have not submitted records retention schedules for these records types. Agencies generally only submit retention schedules for records they are throwing away because schedules are required to be referenced on records disposal requests. The end result is that the State Records Committee is only given a chance to make decisions on non-permanent records because the Committee is generally only seeing retention schedules and disposal requests for non-permanent records. Agencies should be limiting their designation of permanent records to only those that are truly needed. Section 2-6-213(3), MCA, states:

“...[agencies should] analyze records inventory data...and recommend to the secretary of state and the state records committee minimal retentions for all copies of public records within the agency...”

Since the State Records Manager and the State Archivist are not seeing the decisions agencies are making on permanent records, it is likely agencies are saving more records than is necessary and thus spending more on records storage space than is necessary. This can be corrected by requiring agencies to submit records retention schedules for their permanent records.

Recommendation #3

We recommend the Secretary of State:

- A. Work with the State Archives to develop a policy section that will help guide state agencies on managing and storing permanent records.**
- B. Require agencies to submit records retention schedules for their permanent records.**

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Statutory Changes

While researching state laws related to records management we noted several sections of the records management related laws where amendments to the statutes seemed necessary. To evaluate the selected statutes, we discussed our concerns with members of the State Records Committee and other state officials. We also examined if the current statutory language contributed to any concerns by reviewing the responses to our agency questionnaire and by observing actual agency record management practices during our visits to a sample of state agencies. We are recommending statutes be amended to provide for alternative storage locations for both inactive and permanent records.

Alternative Storage Locations

Section 2-6-211, MCA, governs the storage of inactive records at the State Records Center and storage of records with permanent value at the State Archives. The law states:

“All public records not required in the current operation of ...each agency, commission, committee, or any other activity of the executive branch [defined as inactive records]...shall be, in accordance with approved records retention schedules, either transferred to the state records center or transferred to the custody of the state archives if such records are considered to have permanent administrative or historical value.”

Based on our audit work we know that many agencies are improperly storing their inactive records in many locations other than the State Records Center. As we discussed in Chapter III, many of these agencies need to start storing more of their inactive records at the State Records Center. On the other hand, it may be beneficial for some agencies to store their inactive records in other facilities. For example, agencies located outside of Helena could have their own storage locations. However, by law, the Secretary of State is charged with storing inactive records and thus the Secretary of State needs to approve any and all storage location for state agencies.

We believe this issue can be addressed by amending the law to allow the Secretary of State to approve alternative storage locations when it is in the best interests of the state.

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Earlier in this chapter we discussed the profusion of records that have been designated as permanent by individual state agencies. We found many of these agencies are storing their own permanent records. Section 22-3-203, MCA, states the State Archivist shall preserve permanent state records. Therefore, only the State Archivist can approve storage locations for permanent records. In some cases it may be in the best interests of the state for the State Archives to allow agencies to have other storage options for their permanent records. One example would be the University System which has established their own archive programs.

We believe this issue can be addressed in a similar manner as we have proposed for inactive records. In this case, we recommend allowing the State Archives to approve alternative storage locations when it is in the best interest of the state. Again this would require amending section 2-6-211, MCA.

Recommendation #4

We recommend the Secretary of State:

- A. Seek legislation to amend section 2-6-211, MCA, to allow the Secretary of State to approve alternative storage locations for inactive records when it is in the best interests of the state.**
- B. Work with the State Archives to seek legislation to amend section 2-6-211, MCA, to allow the State Archives to approve alternative storage locations for permanent records when it is in the best interests of the state.**

Agency Responses

AUG 06 2002

MONTANA SECRETARY OF STATE

LEGISLATIVE AUDIT DIV.

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August 6, 2002

Mr. Jim Pellegrini
Deputy Legislative Auditor for Performance Audits
Legislative Audit Division
Helena, MT 59620

Dear Mr. Pellegrini:

Thank you for the opportunity to respond to the recently completed records management audit report.

The records management audit includes four recommendations. For Each recommendations, the office of the Secretary of State concurs with the findings of the audit report. Below, I have provided additional responses to each of these:

RECOMMENDATION #1

A. Implement its automated box management system.

The Office of the Secretary State concurs with this recommendation and is currently in the process of verifying the information in the database. Estimated time frame for completion and full implementation of product is approximately eight to ten months.

B. Require all boxes stored at the State Record Center to have disposal dates.

The Office concurs and will immediately work with agencies to ensure that all new boxes brought into the center will have disposal dates. As resources become available, the Records Management Bureau will work with customers to get disposal dates on records currently stored at the Center.

C. Periodically use the automated box management system to determine which boxes are past due for disposal and notify the agencies that have boxes that are past due.

The office concurs and plans to notify agencies each quarter of the boxes that are ready for disposal. The first notification will take place in September of 2002. This will cover those agencies that already have identified disposal dates.

D. Document all actual records destruction on the records disposal request log.

The Office of the Secretary of State concurs and will document records disposals effective July 1, 2002.

RECOMMENDATION #2

A. Improve records management guidelines provided to state agencies.

The Office will update the current MOMs chapter, reference official state records management policy and number the chapter so agencies can refer to specific policy sections before January 1, 2003. We also agree to continually improve policy information on our website.

B. Seek legislation to require all agencies to designate a records manager.

The office concurs and will ask the 2003 Legislature to consider this legislation. If passed the Office of the Secretary of State will hold periodic network meetings with agency records managers to help keep agencies informed of the latest news and problems.

C. Review options for additional resources to implement section 2-6-203, MCA, and actively review and analyze agency filing systems and procedures.

While the Office of the Secretary of State completely concurs with this recommendation, there are inherent limitations within our Internal Service Fund that makes this proposal difficult. We will however, review our options this fiscal year for providing additional resources to perform these functions.

RECOMMENDATION #3

- A. Work with the State Archives to develop a policy section that will help guide agencies on managing and storing permanent records.**

The Office concurs and will work with the State archives to develop a policy section and manual that will help guide agencies on managing and storing permanent records.

- B. Require agencies to submit records retention schedules for their permanent records.**

Agencies are already required to submit records retention schedules for their records, permanent or non-permanent, that are specific to their own agency. The State Records Manager will work closely with submitting agencies to identify permanent records.

RECOMMENDATION #4

- A. Seek legislation to amend section 2-6-211, MCA, to allow the Secretary of State to approve alternative storage locations for inactive records when it is in the best interests of the state.**

The Office concurs and will ask the 2003 Legislature to consider this legislation.

- B. Work with the State Archives to seek legislation to amend section 2-6-211, MCA, to allow the State Archives to approve alternative storage locations for permanent records when it is in the best interest of the state.**

The Office concurs and will work with the State Archives to seek legislation to amend section 2-6-211, MCA.

In conclusion, I would like to thank you for the excellent work completed by your office. I am confident your analysis will provide our office the tools to improve the records management in Montana.

Warmest regards,



Jason Thielman
Chief Deputy
Secretary of State



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July 29, 2002

Jim Pellegrini, Deputy Legislative Auditor
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LEGISLATIVE AUDIT DIV.

Dear Mr. Pellegrini,

Thank you for the opportunity to respond to the performance audit of State Government Records Management, which addresses many issues of importance to the State Archives.

First, I would like to express my support for each of the four recommendations made for the improvement of records management throughout state government. As stated in the report, records management and the preservation of permanent records have long held a low priority for most state agencies. The recommendations made in this report will assist in the overall improvement of state records management and in the identification and preservation of permanent records.

In particular, I am very enthusiastic about item B of recommendation two, which recommends that all agencies designate a records manager. This recommendation will greatly assist the State Archives by providing us with one contact person in each agency rather than having to identify each individual within an agency who may have control over records.

I also support recommendations three and four, which directly effect the State Archives. These recommendations will not only provide long-needed education on the management and storage of permanent records, but will also assist in the identification and storage of those records. Recommendation three, which provides for the development of policies on managing and storing permanent records, will be particularly helpful in educating state employees dealing with records on the importance of permanent records. Additionally, recommendation four, which will allow alternative storage locations for permanent records not transferred to the State Archives, may assist agencies with space storage problems. My only reservation about this recommendation is that the State Archivist must have the ability to approve these locations, to ensure that agencies are not storing permanent records of historical significance in a location other than the State Archives.

The first issue identified for further study, that of electronic records management, is one that desperately needs to be addressed. Although the State Records Committee is currently working on creating an electronic records management policy, the enormity of the problem as well as possible solutions is one that could certainly benefit from additional study.

The second issue identified for further study more directly involves the State Archives. While a study of the efficiency of the structure and processes of the State Archives may be warranted, I do not believe that studying alternative storage media is the best option. In many cases, transferring paper documents to other media is not the best option, as the physical paper may have its own intrinsic significance. In addition, transferring permanent records to electronic media is considered poor practice in the archives profession, as electronic media is inherently unstable. In many cases, records stored electronically are lost due to the complete inability to read either the media or the software containing the data. A more effective study of the State Archives would address funding to process, catalog, and provide access to the approximately 8,500 boxes of unprocessed records. This would not only allow greater access to more records, but would also reduce the number of boxes currently stored in the Archives, as processing a collection will generally reduce its overall size by up to thirty percent.

I would also like to note that the consequences of state agencies fully complying with records management statutes and guidelines would be both positive and negative for the State Archives. The obvious, positive outcome is the proper disposal of non-permanent records and the identification and preservation of permanent records with historical significance. The second, less obvious, outcome, is the pressure, in terms of storage, staff, and funding that will be placed upon the State Archives. As state agencies identify permanent records and transfer them to the State Archives, we will see a marked increase in the amount of storage space required to adequately store the records, which will be kept in perpetuity. Because our current storage area is filled to capacity and we do not charge agencies for storing and providing access to their permanent records, we currently have no funding for additional storage facilities that are adequate for storing permanent records. One solution to this problem would be to assess a fee for each state agency's records, as is currently done with the capital grounds. This fee could be used for additional storage space as well as other preservation and access needs.

A second consequence will be a significant increase in the number of records that will be virtually unavailable to the public. Currently, we have over 8,500 boxes of records that have minimal access, including the records of the Governor's Office for the past 32 years. With our current skeleton staff, a large increase in the amount of records transferred to the State Archives would be impossible to manage. Additional professional archivists, who could concentrate on processing, and thereby reducing, the records, would solve many of these difficulties.

Overall, I support the recommendations made by the performance audit on State Government Records Management. I also support the recommendation for further study of electronic records management. While I do not disagree that further study of the State Archives may be warranted, I would redirect the focus of the study away from alternative storage media.

Sincerely,



Molly L. Miller
State Archivist

cc: Arnold Olsen, Director

